

SUBCOMMITTEE No. 2

NATURAL RESOURCES, ENVIRONMENTAL PROTECTION, ENERGY, and AGRICULTURE

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NATURAL RESOURCES

Overview

Background. The Resources Agency is responsible for the state's policies, programs, and activities relating to the conservation, management, and enhancement of California's natural and cultural resources, including land, fish, wildlife, water, timber, and minerals. The Resources Agency is led by the Secretary for Resources and the agency oversees the following departments, commissions, conservancies, and other boards and authorities.

Departments:

- California Conservation Corps
- Department of Conservation
- Department of Forestry and Fire Protection
- Department of Fish and Game
- Department of Boating and Waterways
- Department of Parks and Recreation
- Department of Water Resources

Commissions:

- State Lands Commission
- California Coastal Commission
- San Francisco Bay Conservation and Development Commission
- Delta Protection Commission
- Energy Resources Conservation and Development Commission
- Native American Heritage Commission

Conservancies:

- California Tahoe Conservancy
- State Coastal Conservancy
- Santa Monica Mountains Conservancy
- San Joaquin River Conservancy
- Coachella Valley Mountains Conservancy
- San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy
- Baldwin Hills Conservancy
- San Diego River Conservancy
- Sierra Nevada Conservancy

Other Boards and Authorities:

- Special Resources Programs (Tahoe Regional Planning Agency, Yosemite Foundation Program, and Sea Grant Program)
- Colorado River Board
- Wildlife Conservation Board
- California Bay-Delta Authority

Governor's Budget. The Governor's Budget proposes \$5.6 billion to support the Resources Agency in 2007-08. This is \$200 million less than estimated expenditures in the current year due to a reduction in capital outlay expenditure. The General Fund support for the Resources

Agency is expected to decrease by over \$689 million in the budget year due to increased reliance on bond funding.

Total State Fund Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
State Operations	\$ 3,886,105	\$ 3,954,723	\$ 68,618	1.8
Local Assistance	495,121	958,136	463,015	93.5
Capital Outlay	1,394,345	650,559	-\$743,786	-53.3
Total	\$ 5,775,571	\$ 5,563,418	-\$212,153	-3.7
Funding Source				
General Fund	\$ 2,161,394	\$ 1,472,092	-\$689,302	-31.9
Special Funds	1,941,837	2,061,283	119,446	6.2
Bond Funds	1,672,340	2,030,043	357,703	21.4
Total	\$ 5,775,571	\$ 5,563,418	-\$212,153	-3.7

Highlights

Infrastructure Bond. In November 2006 the voters passed Proposition 1E and Proposition 84, which provide a combined \$9.5 billion in general obligation bond funds for resources related uses, such as flood protection, water quality, and parks. The Governor's budget proposes \$1.2 billion in Proposition 84 bond funds for 2007-08. The majority of these funds are for water-related projects under the Department of Water Resources.

Future Proposed Bonds. In addition to this spending, the Governor has proposed a Strategic Growth Plan for the state that includes an additional \$5.95 billion in flood and water infrastructure investments and conservation over the next 10 years. General obligation bonds would provide \$3.95 billion and revenue bonds would provide \$2 billion.

Levee Repair Funds. In 2006, AB 142 (Nunez) provided \$500 million General Fund for critical levee repairs. The Governor's Budget proposes to return \$200 million of the AB 142 funds to the General Fund, and replace those funds with Proposition 84 bond funds.

Issues

Infrastructure Bond. The Legislature may wish to review how the infrastructure investments proposed in the Governor's budget will protect and restore the state's natural resources. Specifically, the Legislature may wish to review actual capital improvement needs versus those proposed for funding in the Governor's budget. The Legislature may also wish to evaluate the individual plans departments have for spending the bond funds they are proposed to receive, if

such plans exist. The 2006 Five-Year Infrastructure Plan identified over \$18 billion in infrastructure needs across the entire Resources Agency. The Legislature may want to consider some of these needs in evaluating the Governor's plan.

Oversight of Bond Funds. The voters of California passed a large general obligation bond package in November 2006. To ensure that the intent of the voters is carried out, the Legislature should carefully monitor how departments spend these bond funds. The Legislature may wish to consider requiring quarterly status reports to be sent to the budget committees so that the usage of the funds can be tracked by department.

Information Technology. Multiple Resources Agency departments are requesting funds for data management, mapping, or other information technology related purposes. In considering these proposals, the Legislature may wish to examine these projects for significant overlap and potential for interdepartmental coordination.

CALFED Delta Action Plan. Pursuant to a federal-state accord signed in 1994, CALFED was administratively created as a consortium of state and federal agencies that have regulatory authority over water and resource management responsibilities in the Bay-Delta region. The CALFED program now encompasses 12 state and 13 federal agencies. The objectives of the program are to: (1) provide good water quality for all uses; (2) improve fish and wildlife habitat; (3) reduce the gap between water supplies and projected demand; and (4) reduce the risks from deteriorating levees. In 2006 the Legislature moved the responsibilities for CALFED away from the Bay-Delta Authority to various Resource Agency departments. The Legislature may wish to follow up on the implementation of this oversight, planning, and program execution change. Specifically, the Legislature may wish to question CALFED progress on areas of governance, program and fiscal management, program priorities, implementation schedules, conservation plans, the 100-Year Delta Vision, and the near-term funding plan.

0540 Secretary for Resources

Background. The Secretary for Resources heads the Resources Agency. The Secretary is responsible for overseeing and coordinating the activities of the departments, commissions, conservancies, and other boards and authorities that make up the Resources Agency.

Governor's Budget. The Governor's Budget proposes \$57 million to support the Secretary for Resources in 2007-08. This is nearly 63 percent less than estimated expenditures in the current year due to a reduction in the resources bond funds available for appropriation.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Administration	\$ 165,272	\$ 73,253	-\$92,019	-55.7
Total	\$ 165,272	\$ 73,253	-\$92,019	-55.7
Funding Source				
General Fund	\$ 5,909	\$ 6,005	\$ 96	1.6
Special Funds	3,478	3,316	-162	-4.7
Bond Funds	148,323	47,714	-100,609	-67.8
<i>Budget Act Total</i>	<i>157,710</i>	<i>57,035</i>	<i>-100,675</i>	<i>-63.8</i>
Federal Trust Fund	5,004	199	-4,805	-96.0
Reimbursements	2,558	16,019	13,461	526.2
Total	\$ 165,272	\$ 73,253	-\$92,019	-55.7

Highlights

San Joaquin River Restoration. The Governor's Budget proposes \$13.9 million in Proposition 84 bond funds to support implementation of a settlement agreement between the federal government, local water users, and environmental advocates to restore portions of the San Joaquin River, including channel modifications and ecosystem restoration projects that will be implemented by the Department of Water Resources and Department of Fish and Game.

Bond Funds for River Parkways Program. The Governor's Budget proposes to allocate \$20.5 million in the budget year from the Propositions 50 resources bond to fund the River Parkways Program.

CalFED Science Program Research Grants. The Governor proposes to allocate \$10.5 million in the budget year from Proposition 84 and Proposition 50 resources bonds to fund CalFED Science Program research grants.

Issues

Bond Funding. In November 2006 the voters passed Proposition 1E and Proposition 84, which provide a significant amount in general obligation bond funds for resources related uses, such as flood protection, water quality, and parks. The Legislature may wish to examine how the Secretary for Resources is coordinating bond fund projects and the oversight of bond funds use.

Oversight of the CALFED Program. In 2006 the Legislature moved the responsibilities for CALFED away from the Bay-Delta Authority to various Resource Agency departments. The Legislature may wish to follow up on the implementation of this oversight, planning, and

program execution change. Specifically, the Legislature may wish to question CALFED progress on areas of governance, program and fiscal management, program priorities, implementation schedules, conservation plans, the 100-Year Delta Vision, and the near-term funding plan.

3340 California Conservation Corps

Background. The California Conservation Corps (Corps) assists federal, state and local agencies and nonprofit entities in conserving and improving California's natural resources while providing employment, training, and educational opportunities for young men and women. The Corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects related to environmental conservation, fire protection, and emergency services. Some activities traditionally associated with the Corps are tree planting, stream clearance, and trail building. The Corps also develops and provides funding for 11 community conservation corps.

Governor's Budget. The Governor's Budget proposes \$65.4 million to support the California Conservation Corps in 2007-08. This is a 4 percent increase from estimated expenditure levels in the current year. General Fund support for the Corps is proposed to increase by about 13 percent in the budget year due to a proposal to increase the department's General Fund support and reduce the department's reliance on reimbursements.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Training and Work Program	\$ 62,231	\$ 61,678	-\$553	0.9
Capital Outlay	892	3,691	2,799	313.8
Administration	7,525	7,783	258	3.4
<i>less distributed administration</i>	-\$7,525	-\$7,783	-258	3.4
Total	\$ 63,123	\$ 65,369	\$ 2,246	3.6
Funding Source				
General Fund	\$ 35,805	\$ 40,606	\$ 4,801	13.4
Collins-Dugan California Conservation Corps Reimbursement Account	23,857	23,852	-5	0
Other Special Funds	628	648	20	3.2
Bond Funds	2,833	263	-2,570	-90.7
Total	\$ 63,123	\$ 65,369	\$ 2,246	3.6

Highlights

Increased General Fund Support. The Governor's Budget proposes \$4.8 million General Fund to maintain the Corps operations. Over the past few years, the level of reimbursements received has been decreasing. The budget proposal indicates that this level of funding is needed to maintain current operations given the instability of reimbursements.

3480 Department of Conservation

Background. The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

Governor's Budget. The Governor's Budget proposes \$1.2 billion to support DOC in the budget year. This is an increase of \$216 million over the estimated expenditures in the current year. The majority of this increase is from the Beverage Container Recycling and Litter Reduction program due to recent legislation that increased the California Redemption Value (CRV) payments.

Summary of Expenditures					
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change	
Type of Expenditure					
Geologic Hazards and Mineral Resources Conservation	\$ 23,769	\$ 24,227	\$ 458	1.9	
Oil, Gas, and Geothermal Resources	18,866	19,793	927	4.9	
Land Resource Protection	25,738	36,250	10,512	40.8	
Beverage Container Recycling and Litter Reduction	972,528	1,177,673	205,145	21.1	
Office of Mine Reclamation	8,148	6,860	-1,288	-15.8	
Administration	12,061	13,296	1,235	10.2	
<i>less distributed administration</i>	-12,061	-13,296	-1,235	10.2	
Total	\$ 1,049,049	\$ 1,264,803	\$ 215,754	20.6	

Funding Source					
General Fund	\$ 4,587	\$ 4,668	\$ 81	1.8	
Special Funds	1,010,328	1,215,647	205,319	20.3	
Bond Funds	22,278	32,631	10,353	46.5	
<i>Budget Act Total</i>	<i>\$ 1,037,193</i>	<i>\$ 1,252,946</i>	<i>\$ 215,753</i>	<i>20.8</i>	
Federal Trust Fund	1,813	1,809	-\$4	-0.3	
Bosco-Keene Renewable Resources Investment Fund	994	1,002	8	0.8	
Reimbursements	9,050	9,046	-4.00	0	
Total	\$ 1,049,050	\$ 1,264,803	\$215,753	20.6	

Highlights

Agricultural Land Preservation. The Governor's Budget proposes \$12.3 million from Proposition 84 bond funds for four positions to assist communities to build sustainable, clean communities; facilitate planning efforts to develop conservation easements that preserve agricultural land resources and their associated wildlife habitat values; facilitate the development of mitigation programs related to the conversion of agricultural land to urban; and related other uses.

Green City Partnership Initiative. The Governor's Budget proposes \$10.4 million from Proposition 84 bond funds for three limited-term positions and implementation costs for the Green City Partnership Initiative. This initiative would provide grants to enhance existing local general plans to incorporate multiple land use projects that would promote more environmentally sustainable communities. \$4 million of these funds would be used for mapping of natural resources data.

Comprehensive Recycling Community Project. The Governor's Budget proposes \$1.9 million in special funds to fund four positions and start-up costs of the Comprehensive Recycling Community (CRC) project. The CRC project intends to increase beverage container recycling by 50 percent in selected communities and to develop strategies, applicable to any community to maximize the recycling potential. This pilot project will select four cities and work with the local governments to implement strategies.

SMARA Lead Agency Compliance Review Program. The Governor's Budget proposes \$585,000 in special funds for five permanent positions to conduct audits of Surface Mining and Reclamation Act lead agency compliance and financial assurances. The State Mining and Geology Board has raised concerns that some lead agencies are not enforcing reclamation plans, and to date has taken over lead agency powers from two counties. The Legislative Analyst's Office has also raised concerns that some of the mining financial assurances may be inadequate for the required future environmental clean-ups.

Beverage Container Recycling Program Enforcement. The Governor's Budget proposes \$1.1 million to fund five permanent and five three-year limited-term positions to combat fraud in the Beverage Container Recycling Program. The passage of SB 332 (Sher) in 1999 added new types of beverage containers to the recycling program and increased eligible distributors from 969 to 3,234. The department has fallen behind in researching and assessing liability from unregistered companies. The department estimates that based on the number of registered participants with outstanding liabilities, delinquent reports, and the number of unregistered companies, the state is suffering revenue loss of approximately \$8.5 million annually.

Issues

Williamson Act Enforcement Revenue. The owner of agricultural land can enter into a contract, under the Williamson Act, to have that land used only for agricultural purposes for ten years, while in exchange lower property taxes are assessed on the land. If the owner of the property breaks the contract by constructing non-agricultural buildings on the property, the owner can be fined under the Williamson Act. During 2006-07 the Legislature provided \$463,000 for five two-year limited-term positions to increase Williamson Act enforcement. The increased enforcement of the Williamson Act increased revenues from fines. The Legislature may wish to consider making these enforcement positions permanent and appropriating some of the funds from the fines for the purchase of permanent agricultural easements.

3540 Department of Forestry and Fire Protection

Background. The California Department of Forestry and Fire Protection (CDF), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CDF: (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

Governor's Budget. The Governor's Budget provides \$686 million to support CDF in 2007-08. This is approximately \$38 million, or 6 percent, more than the level of expenditures estimated for the current year. The increase is due to increased capital outlay expenditures as well as employee compensation costs increases associated with fire protection. General Fund support for the department is also proposed to increase by approximately 5 percent as a result of increased capital outlay spending.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Office of the State Fire Marshal	\$ 14,383	\$ 15,766	\$ 1,383	9.6
Fire Protection	845,660	851,201	5,541	0.6
Resource Management	56,822	69,017	12,195	21.5
Capital Outlay	8,793	30,954	22,161	252
Administration	66,759	67,006	247	0.4
<i>less distributed administration</i>	-66,129	-66,382	-253	0.4
Total	\$ 926,288	\$ 967,562	\$ 41,274	4.5
Funding Source				
General Fund	\$ 625,768	\$ 654,938	\$ 29,170	4.7
Special Funds	8,337	8,785	448	5.4
Bond Funds	12,947	22,005	9,058	69.9
<i>Budget Act Total</i>	<i>\$ 647,052</i>	<i>\$ 685,728</i>	<i>\$ 38,676</i>	<i>5.9</i>
Federal Trust Fund	29,311	26,258	-3,053	-10.4
Forest Resources Improvement Fund	699	7,802	7,103	1016.1
Timber Tax Fund	31	33	2	6.4
Reimbursements	249,199	247,741	-1,458	-0.6
Totals	\$ 926,292	\$ 967,562	\$ 41,270	4.5

Highlights

Urban Forestry and Greening Projects. The Governor's Budget includes \$9.3 million in various bond funds for urban forestry and urban greening projects. CDF has encountered, in past years, non-implementation of grants by non-profits. The Legislature should examine CDF's criteria for providing grants and whether there is sufficient annual demand for such grants to appropriate the entire \$9 million in 2007-08.

Employee Compensation. The Governor's Budget includes \$4.1 million in reimbursement authority to fund increased employee compensation costs associated with funding year-round fire protection statewide.

Issues

Vendor Payments. The Governor proposes budget bill language allowing CDF to receive a General Fund loan for an unidentified amount in order to pay vendors in a timely manner. The current reimbursement system relies on actual expenditures and creates lag time between services received and payment for those services. CDF has been penalized for late payments to DVBE vendors. The Legislature may wish to consider having CDF report back on a more sustainable solution than continual General Fund loans.

Mobile Equipment Purchases. As part of the 2006-07 Budget, the Legislature has requested CDF to submit a report on January 10, 2007, on its expenditures for mobile equipment and recommended changes to the mobile equipment procurement process to ensure more timely purchases. The Legislature may wish to review this report once it is submitted for potential ways to improve CDF mobile equipment procurement.

Local Versus State Fire Protection Activities. The state is responsible for fire protection of approximately one-third (31 million acres) of state lands, which are areas deemed state responsibility areas (SRAs). The SRA that the department protects is mainly privately owned forestlands, watersheds, and rangelands. The state does not have primary responsibility for fire protection of structures or general emergency response, as this responsibility belongs to local fire protection and emergency response entities. However, during fire events and other emergency response events, the state typically works collectively with the locals to defend life and property and respond to emergencies. Defending life and property and responding to general emergencies increases state fire protection costs significantly. In some cases, the state does have contracts with local government to provide general emergency response functions. However, CDF's relationship and the allocation of responsibilities with locals has been further blurred now that CDF is providing year-round staffing of fire engines statewide. The Legislature may wish to evaluate the relationship between state fire protection and local services and determine an appropriate funding structure for the evolving services provided by CDF.

Capital Outlay Design and Management. As part of the 2006-07 Budget, the Legislature requested a report on the actions that Department of General Services is taking, or plans to take, to address a backlog that has developed in the design and management by DGS of CDF's major capital outlay projects. The Legislature may wish to review this report to analyze if there are ways to improve the capital outlay process.

Infrastructure Bond. The Legislature may wish to evaluate the actual infrastructure needs identified by the department in the updated Five Year Infrastructure Plan that is forthcoming

from the administration. The 2006 Infrastructure Plan identified over \$1.4 billion in infrastructure needs for the department through 2010-011.

3560 State Lands Commission

Background. The State Lands Commission (SLC) is responsible for the management of lands that the state has received from the federal government. These lands total more than four million acres and include tide and submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant state school lands.

Governor's Budget. The Governor's Budget proposes \$24.6 million (\$10.2 million General Fund) for SLC. This is a decrease of \$310,000 over the estimated expenditures in the current year. This decrease is due to a one-time expenditure in the current year to fund remediation of a toxic site owned by the state.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Mineral Resource Management	\$ 9,831	\$ 8,161	-\$1,670	-16.9
Land Management	9,620	9,547	-73	-0.8
Marine Facilities Division	9,441	10,902	1,461	15.5
Administration	3,516	3,456	-60	-1.7
<i>less distributed administration</i>	-3,516	-3,456	60	-1.7
Total	\$ 28,892	\$ 28,610	-\$282	-0.9
Funding Source				
General Fund	\$ 10,292	\$ 10,213	-\$79	-0.8
Special Funds	14,639	14,408	-231	-1.6
Bond Funds	0	0	0	
<i>Budget Act Total</i>	<i>24,931</i>	<i>24,621</i>	<i>-310</i>	<i>-1.2</i>
Reimbursements	3,532	3,554	22	0.6
Land Bank Fund	429	435	6	1.4
Total	\$ 28,892	\$ 28,610	-\$282	-1.0

Highlights

Marine Oil Terminal Inspectors. The Governor's Budget proposes \$702,000 from special funds for four positions to carry out Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) audits and related work. The MOTEMS audits are a regulatory requirement. These audits contain extensive inspection criteria and require engineering analyses to determine the structural, mooring, and berthing capacity of the oil terminals.

Remediation of Toxic State Lands at Selby. The Governor's Budget proposes \$1.2 million General Fund to fund the state's portion of remediation work at state-owned land in Selby. These funds will be used to fund de-acidification remediation of soils work at certain portions of the site.

Marine Safety Inspectors. The Governor's Budget proposes \$568,000 for five positions to perform ballast water testing on vessels entering California ports. The Marine Invasive Species Act (AB 433, Nation) requires that 25 percent of qualifying vessels have their ballast water tested in order to limit the entry of non-native species into California Waters. Currently, the department is testing between 14 and 16 percent of all qualifying vessels.

Issues

City of Long Beach. Legislation (Chapters 81 and 521, Statutes of 2005) created a new Oil Trust Fund to fund environmental cleanup of the tidelands oil fields in the City of Long Beach. The legislation transferred tidelands oil funds held by the city to the new fund and provides that \$2 million from monthly tidelands oil revenues also be deposited in the fund until the fund balance reaches \$300 million. The California State Lands Commission completed a study of the cost to perform environmental mitigation on the land. The study found current clean-up costs to be \$243 million, but over 30 years the cost would grow, with inflation. Further review of this information is warranted.

3600 Department of Fish and Game

Background. The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

Governor's Budget. The Governor's Budget proposes \$315 million to support DFG in the budget year. This is about 19 percent less than estimated expenditures in the current year due to a reduction in General Fund and bond funds available for appropriation. General Fund support for the department is proposed to decrease by 40 percent.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Biodiversity Conservation Program	\$ 302,776	\$ 240,392	-\$62,384	-20.6
Hunting, Fishing, and Public Use	55,413	57,979	2,566	4.6
Management of Lands and Facilities	65,832	56,259	-9,573	-14.5
Conservation Education and Enforcement	52,866	55,336	2,470	4.7
Spill Prevention and Response	32,799	34,137	1,338	4.1
Capital Outlay	1,314	2,922	1,608	122.4
Administration	46,521	40,677	-5,844	-12.6
<i>less distributed administration</i>	-46,512	-40,677	5,835	-12.6
Totals	\$ 511,009	\$ 447,025	-\$63,984	-12.6
Funding Source				
General Fund	\$ 133,078	\$ 78,565	-\$54,513	-40.9
Special Funds	123,416	152,659	29,243	23.7
Bond Funds	133,628	83,996	-49,632	-37.1
<i>Budget Act Total</i>	<i>\$ 390,122</i>	<i>\$315,220</i>	<i>\$-74,902</i>	<i>-19.2</i>
Federal Trust Fund	57,270	57,701	431	0.7
Reimbursements	65,350	69,810	4,460	6.8
Salton Sea Restoration Fund	2,644	2,718	74	2.8
Harbors and Watercraft Revolving Fund	5	5	-	0
Special Deposit Fund	610	1,435	825	135.2
Coastal Wetlands Account	-5,000	136	5,136	-102.7
Total	\$ 511,001	\$ 447,025	-\$63,976	-12.5

Highlights

CalFED Bay Delta Ecosystem Restoration Program. The Governor's Budget proposes \$47 million from Proposition 84 funds for water quality projects in the Bay Delta region.

Salton Sea Restoration. The Governor's Budget proposes \$45 million from Proposition 84 funds for restoration of the Salton Sea.

Anadromous Fish Management. The Governor's Budget proposes \$11.5 million from Proposition 84 bond funds for 14.5 positions and program costs for Coastal Salmonid Monitoring Plan implementation, Coho Recovery Plan implementation, Coastal Steelhead and Chinook Recovery, and the Steelhead Report Card Program.

Yuba Feather River Flood Control. The Governor's Budget proposes \$7.4 million in special funds for environmental mitigation, restoration, and enhancement measures for the Yuba Feather River Flood Control Project.

Lower Colorado River Multi-Species Habitat Conservation Plan. The Governor's Budget proposes \$6.8 million from Proposition 84 bond funds for the acquisition of lands for natural resource protection and public access to natural resources, consistent with the Lower Colorado River Multi-Species Habitat Conservation Plan.

Issues

Quagga Mussel Invasion. A highly invasive fresh-water Quagga Mussel, related to the Zebra Mussel, was discovered in California on January 17, 2007. The Quagga Mussel was found in Lake Havasu and on the Metropolitan Water District intake pumps. DFG has expressed concern that the species could cause potentially wide-spread damage to drinking water pumping systems and other related infrastructure. The Legislature may wish to examine this issue to determine the proper course of action.

Salmon and Steelhead Trout Restoration. As part of the 2006-07 Budget Act, the Legislature required DFG to submit a report on the use of state funds to restore the Klamath River. The Legislature may wish to review this report to evaluate if the state could undertake a more systematic approach to Klamath River restoration.

3640 Wildlife Conservation Board

Background. The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB is an independent board in the Department of Fish and Game and is composed of the Director of the Department of Fish and Game, the Director of the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

Governor's Budget. The Governor's Budget proposes \$155 million to support the WCB in the budget year. This is over a 72 percent reduction from estimated expenditures in the current year due to a reduction in the resources bond funds. General Fund support for the board increased by less than 9 percent in the budget year.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
State Operations	\$ 3,933	\$ 4,281	\$ 348	8.8
Capital Outlay	563,457	151,533	-411,924	-73.1
Total	\$ 567,390	\$ 155,814	-\$411,576	-72.5
Funding Source				
General Fund	\$ 5,201	\$ 16,149	\$ 10,948	210.5
Special Funds	-7,266	3,058	10,324	-142.1
Bond Funds	557,128	135,607	-421,521	-75.6
<i>Total Budget Act</i>	<i>\$555,063</i>	<i>\$154,814</i>	<i>-\$400,249</i>	<i>-72.1</i>
Reimbursements	8,226	1,000	-7,226	-87.8
Oak Woodlands Conservation Fund	4,160	0	4,160	100.0
Total	\$ 567,449	\$ 155,814	-\$403,315	-72.1

Highlights

Wildlife Protection Capital Outlay Projects. The Governor's Budget proposes \$68.3 million for Natural Communities Conservation Planning and oak woodlands conservation, as well as grants to integrate agricultural activities with ecosystem restoration and grants for grazing land, grassland, and rangeland protection.

Continuous Appropriation of Proposition 84 Funds. The Governor's Budget proposes \$60 million of Proposition 84 bond fund expenditures in 2006-07, and another \$60 million of Proposition 84 bond fund expenditures in 2007-08. These funds would come from a continuously appropriated allocation for forestry conservation, protection, and habitat preservation.

3680 Department of Boating and Waterways

Background. The Department of Boating and Waterways (DBW) is responsible for planning and developing boating facilities on waterways throughout California. It is also responsible for protecting the public's right to safe boating by providing subventions to local law enforcement agencies. The department is also responsible for boating safety and education, licensing yachts, aquatic weed control in the Sacramento-San Joaquin Delta, and beach erosion control along California's coast.

Governor's Budget. The Governor's Budget proposes \$76.7 million to support DBW, which is approximately 12 percent less than expenditures in the current year. (The majority of DBW's budget is not subject to appropriation in the budget act. Only \$500,000 is subject to the Budget Act.) The department is not supported by the General Fund.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Boating Facilities	\$ 59,117	\$ 49,561	-\$9,556	-16.2
Boating Operations	20,519	20,678	159	0.8
Beach Erosion Control	1,641	311	-1,330	-81.1
Capital Outlay	6,045	6,140	95	1.6
Administration	2,447	2,361	-86	-3.5
<i>less distributed administration</i>	-2,447	-2,361	86	-3.5
Total	\$ 87,322	\$ 76,690	-\$10,632	-12.2
Funding Source				
General Fund	\$ -	\$ -	\$ -	0
Special Funds	1,250	500	-750	-60
<i>Budget Act Total</i>	<i>1,250</i>	<i>500</i>	<i>-750</i>	<i>-60</i>
Federal Trust Fund	13,499	10,036	-3,463	-25.6
Reimbursements	1,015	1,015	0	0
Harbors and Watercraft Revolving Fund	71,558	65,139	-6,419	-9.9
Total	\$ 87,322	\$ 76,690	-\$10,632	-13.2

Highlights

Public Small Craft Harbor Loans. The Governor proposes \$12 million in special funds for loans to develop new marinas and expand and rehabilitate existing marinas.

Launching Facility Grants. The Governor proposes \$12.9 million in special funds for grants for the construction of launching ramps and other facilities used when launching boats.

Private Recreational Marina Loans. The Governor proposes \$6 million in special funds for loans to fund private recreational marinas.

3720 California Coastal Commission

Background. The California Coastal Commission, following its initial creation in 1972 by a voter initiative, was permanently established by the State Coastal Act of 1976. In general, the act seeks to protect the state's natural and scenic resources along California's coast. It also delineates a "coastal zone" running the length of California's coast, extending seaward to the state's territorial limit of three miles, and extending inland a varying width from 1,000 yards to several miles. The commission's primary responsibility is to implement the act's provisions. It is also the state's planning and management agency for the coastal zone. The commission's jurisdiction does not include the San Francisco Bay Area, where development is regulated by the San Francisco Bay Conservation and Development Commission.

Governor's Budget. The Governor's Budget proposes \$12.6 million for support of the Coastal Commission in 2007-08. This level of spending is approximately the same as the current year. General Fund support for the department is also proposed to stay nearly at the same level.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Coastal Management Program	\$ 16,337	\$ 16,090	-\$247	-1.5
Coastal Energy Program	763	860	97	12.7
Administration	1,739	1,751	12	0.7
<i>less distributed administration</i>	-1,658	-1,651	7	-0.4
Total	\$ 17,181	\$ 17,050	-131	-0.8
Funding Source				
General Fund	\$ 11,460	\$ 11,351	-109	-0.9
Special Funds	1,333	1,298	-35	-2.6
<i>Budget Act Total</i>	<i>\$12,793</i>	<i>\$ 12,649</i>	<i>\$-144</i>	<i>-1.1</i>
Federal Trust Fund	3,052	2,910	-142	-4.6
Reimbursements	1,337	1,491	154	11.5
Total	\$ 17,182	\$ 17,050	\$-132	-0.8

Issues

North Coast Enforcement. Currently the Coastal Commission does not have sufficient staff to adequately enforce the State Coastal Act compliance in Northern California. Lack of enforcement means violations of the State Coastal Act can occur without due penalties. The Legislature may wish to review the Coastal Commission's enforcement staffing levels.

Alternative Energy Projects. The Coastal Commission is receiving interest in alternative energy projects, such as wave energy, on the coast. The commission has been contacted by 12 interested parties in the last year who wish to pursue projects on the coast for alternative energy. However, the commission currently does not have expertise on staff to review these types of energy projects. The utilization of alternative energy is relevant at this time as the Legislature has recognized the importance of global climate change and the need for California to actively pursue solutions to this problem. The Legislature may wish to evaluate the commission's workload in energy related activities and determine whether additional funding is warranted.

3790 Department of Parks and Recreation

Background. The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

Governor's Budget. The Governor's Budget proposes \$422 million to support DPR in 2007-08. This is about a 30 percent reduction from estimated expenditures in the current year. General Fund support for the department is proposed to decrease by about 35 percent reflecting an adjustment for one-time projects.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Support of the Department of Parks and Recreation	\$ 466,148	\$ 382,490	-\$83,658	-17.9
Local Assistance Grants	93,458	44,279	-49,179	-52.6
Capital Outlay	169,174	67,011	-102,163	-60.4
Total	\$ 728,780	\$ 493,780	-235,000	-32.2
Funding Source				
General Fund	\$ 231,630	\$ 150,359	-81,271	-35.1
Special Funds	233,056	202,950	-30,106	-12.9
Bond Funds	139,291	69,403	-69,888	-50.2
<i>Budget Act Total</i>	<i>\$ 603,977</i>	<i>\$422,712</i>	<i>\$-181,265</i>	<i>-30</i>
Federal Trust Fund	77,633	27,241	-50,392	-64.9
Reimbursements	46,136	43,013	-3,123	-6.4
Harbors and Watercraft Revolving Fund	747	814	67	8.9
California Missions Foundation Fund	289	0	-289	-100
Total	\$ 728,782	\$ 493,780	\$-235,002	-32.2

Highlights

Infrastructure Bond. In November 2006 the voters passed Proposition 84, which provides \$400 million in general obligation bond funds for the state parks system for purposes of acquisition, development, and restoration of state parks. The Governor's Budget includes approximately \$26.7 million in Proposition 84 bond funds for the Department of Parks and Recreation.

Planning and Administrative Staff for Proposition 84. The Governor's Budget proposes \$5.2 million from Proposition 84 bond funds for 61 positions. These positions would provide the department with the expertise to implement Proposition 84 funded projects. These additional staff would work on planning and administering spending of the \$400 million provided to the department by Proposition 84.

Grant Management Staff for Proposition 84. The Governor's Budget proposes \$1.4 million from Proposition 84 bond funds for 10 new positions and support funding to administer department grants to local agencies and non-profits.

Bond Oversight Staff. The Governor's Budget proposes \$1.1 million from Proposition 84 bond funds for 8.4 new positions to oversee the bond on behalf of all recipient departments. These staff would be responsible for bond coordination, accounting, budgeting, and auditing. In addition, these staff would provide bond-related legal and GIS support to the Resources Agency.

Remediation Measures at Empire Mine. The Governor's Budget proposes \$4.1 million General Fund for contamination remediation measures at the Empire Mine State Historic Park.

Museum of Tolerance. The Governor's Budget proposes \$5 million General Fund for an expansion of the Museum of Tolerance at the Simon Wiesenthal Center. The expansion would create a new Inter-Dependence Culture Center.

Capital Outlay. The Governor's Budget proposes \$67 million from various bond funds for multiple capital outlay projects in state parks.

Issues

Infrastructure Bond. The Governor's Budget proposes to return \$160 million in General Fund appropriated in the 2006-07 Budget for parks maintenance and replace those funds with Proposition 84 bond funds. The department estimates that its backlog of deferred maintenance for the state park system is around \$900 million. The Legislature may wish to examine if maintenance of existing facilities is a proper use of bond funds.

3860 Department of Water Resources

Background. The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay Delta.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage receipt and delivery of the energy procured by the contracts. (More on the CERS division of DWR is included in the Energy and Utilities section of this report.)

Governor's Budget. The Governor's Budget proposes \$1.4 billion to support DWR in the budget year. This is a 27 percent increase over estimated expenditures in the current year mainly

the result of an increase in the amount of resources bond funds available for appropriation. General Fund support for the department is proposed to decrease by 99 percent to reflect a shift to bond funding. An additional \$6.4 billion is not subject to the Budget Act (these funds are primarily for energy payments related to the 2001 electricity crisis).

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
California Water Plan	\$ 419,532	\$ 646,666	\$ 227,134	54.1
State Water Project				
Infrastructure	816,859	835,566	18,707	2.2
Public Safety and Prevention				
of Damage	262,430	597,163	334,733	127.5
Services	8,943	9,252	309	3.5
California Energy Resources				
Scheduling	5,789,862	5,577,211	-212,651	-3.7
Capital Outlay	451,074	196,607	-254,467	-56.4
Administration	63,700	63,848	148	0.2
<i>less distributed</i>				
<i>administration</i>	-63,700	-63,848	-148	0.2
Loan Repayment Program	-4,013	-4,013	0	0
Total	\$ 7,744,687	\$ 7,858,452	\$ 113,765	1.5
Funding Source				
General Fund	\$ 688,065	\$ 5,115	-\$682,950	-99.3
Special Funds	12,717	11,923	-794	-6.2
Bond Funds	398,035	1,378,611	980,576	246.3
<i>Budget Act Total</i>	<i>\$1,098,817</i>	<i>\$1,395,649</i>	<i>\$296,832</i>	<i>27</i>
Federal Trust Fund	12,665	12,863	198	1.6
State Water Project Funds	817,898	837,026	19,128	2.3
DWR Electric Power Fund	5,789,862	5,577,211	-212,651	-3.7
Bosco-Keene Renewable				
Resources Investment Fund	20	0	-20	
Reimbursements	25,425	35,703	10,278	40.4
Total	\$ 7,744,687	\$ 7,858,452	\$ 113,765	1.4

Highlights

Infrastructure Bond. The Governor's Budget includes \$1.3 billion in bond funds for flood control and water supply investments. The majority of these funds are from the Proposition 84 and Proposition 1E bonds passed by voters in November 2006. The bond funds are allocated as follows:

- \$257.8 million is proposed for integrated regional water management and stormwater flood management. These funds would start a new ten-year program.
- \$23.5 million is proposed for the Delta Water Quality Program. These funds would be continuously appropriated up to \$125 million.
- \$369.8 million is proposed for evaluating and improving the State's flood control system. Of this amount, \$342.9 million would be for local assistance. The funds would support 52 new positions and various flood and levee programs.
- \$62.7 million is proposed for multi-benefit planning and feasibility studies related to future water needs.
- \$9.1 million is proposed for an urban streams grant program.
- \$255,000 is proposed for two positions to provide fiscal administration, coordination, and oversight of bond funds.
- \$149 million in various capital outlay expenditures, including \$100 million for levee repair.

Flood Management Comprehensive Strategic Plan. The Governor's Budget proposes \$11.9 million from AB 142 and Proposition 13 bond funds for 32 new positions to work on flood management issues, including improving maintenance programs, improving the effectiveness of emergency response programs, and updating floodplain maps.

San Joaquin River Restoration. The Governor's Budget proposes \$1.3 million in Proposition 13 bond funds to fund contracts and equipment for investigating, developing and implementing channel modifications on the San Joaquin River. In addition, these funds will be used as part of the State's cost share portion of actions proposed by the settlement of the *Friant Water User Authority and the Natural Resources Defense Council* lawsuit.

San Joaquin River Restoration Reimbursements. The Governor's Budget proposes \$57.9 million in reimbursement authority over five years for easement and title fee purchases, channel and structural improvements, and related research.

All-American Canal Lining. The Governor's Budget proposes \$82 million (\$47 million General Fund) for the lining of the All-American and Coachella Canals. This funding is consistent with the Quantification Settlement Agreement to reduce California's use of Colorado River water.

Sacramento Valley Water Management Program. The Governor's Budget proposes \$8.4 million in Proposition 204 bond funds to plan and implement a series of projects that would help meet the flow objectives required to maintain water quality in the Bay-Delta.

Contra Costa Water District Canal Lining. The Governor's Budget proposes \$2.8 million in Proposition 13 bond funds to fund phase II of possible retrofitting or contractions of new conveyance facilities along a segment of the Contra Costa Canal. This project is in the CALFED Record of Decision.

CALFED Surface Storage Program. The Governor's Budget includes \$3.7 million in various bond funds to fund the CALFED Surface Storage Program. Funding is allocated to the following projects:

- Common Assumptions (\$492,000).
- North of Delta Storage – Sites Reservoir (\$1.2 million).
- Los Vaqueros Reservoir Enlargement (\$1 million).
- Upper San Joaquin River Storage (\$1 million).

CALFED Conveyance and Water Quality Program Projects. The Governor's Budget includes \$5.9 million in various bond funds to continue evaluation and implementation of fish facility improvements at State Water Project and Central Valley Project fish collection facilities located in the South Delta. Funding will also be used to study South Delta hydrodynamics in order to continue fish entrainment evaluation. Funding will also be used to continue the Franks Tract Pilot Project alternatives development.

CALFED Bay-Delta Program Fish Passages. The Governor's Budget proposes \$1.2 million in Proposition 50 bond funds for 7.6 existing positions in the continued management, administration, and implementation of the CALFED fish passages program.

Issues

Infrastructure Bond. The Governor's Budget proposal contains a significant amount of new policy regarding funding flood management and water supply projects. The Legislature may wish to review these policies and determine whether they are consistent with its policy goals. The Legislature may also wish to review the benefits of the projects proposed for funding, including potential benefits to the environment and water supply. Furthermore, the Legislature may wish to evaluate the "green" construction policies of the department and whether to require a greater amount of environmentally sensitive construction practices.

Oversight of Bond Funds. In November 2006 the voters of California approved a large amount of general obligation bond funding for the state's water supply, levees, and other water related structures. To ensure that the intent of the voters is carried out, the Legislature should carefully monitor how the DWR spends these bond funds. The Legislature may wish to consider requiring quarterly status reports to be sent to the budget committees so that the usage of the funds can be tracked with greater transparency.

3870 California Bay-Delta Authority

Background. As part of the 2006-07 Budget Act, the Legislature transferred all positions and funding for the Bay-Delta Authority to the Department of Fish and Game, Resources Agency, the Department of Water Resources, and the Department of Health Services. The Resources Agency is continuing to support the public forums and stakeholder processes that were supported by the Bay-Delta Authority.

Governor's Budget. The Governor's Budget proposes no funding for the California Bay-Delta Authority, since the responsibilities of the department were moved to various other departments by the Legislature in 2006-07.

Regional Conservancies

Background. In order to promote the conservation of its land resources, the state has created nine regional conservancies that acquire and protect undeveloped lands in specific regions of the state. Located within the Resources Agency, conservancies are departments charged with, among other things, acquiring land in specified geographical areas in order to advance specified goals. While the particular statutory goals of each conservancy differ, in general, the conservancies were created to protect certain vital land resources that were endangered by development or other threats.

Governor's Budget. The Governor's Budget proposes \$277 million for the state's nine regional conservancies. This is nearly the same as estimated expenditures in the current year due to resources bond funds available for appropriation.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
3125 - California Tahoe Conservancy	\$ 42,054	\$ 45,512	\$ 3,458	8.2
3760 - State Coastal Conservancy	181,357	133,975	-47,382	-26.1
3810 - Santa Monica Mountains Conservancy	24,658	18,194	-6,464	-26.2
3825 - San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	6,741	38,834	32,093	476.1
3830 - San Joaquin River Conservancy	449	456	7	1.5
3835 - Baldwin Hills Conservancy	22,817	3,490	-19,327	-84.7
3845 - San Diego River Conservancy	296	3,194	2,898	979.1
3850 - Coachella Valley Mountains Conservancy	1,545	11,878	10,333	668.8
3855 - Sierra Nevada Conservancy	3,815	21,404	17,589	461.1
Total	\$ 283,732	\$ 276,937	-\$6,795	-2.4

Highlights

Tahoe Conservancy Biomass Utilization Project. The Governor's Budget proposes \$5.1 million in bond funds for a biomass energy pilot project in the Tahoe Basin. The Department of Forestry and Fire Protection would be a partner in the project.

Proposition 84 Bond Funds. The Governor's Budget proposes nearly \$230 million in Proposition 84 bond funds for conservancies. These proposals are:

- \$27.3 million for Tahoe Conservancy for wildlife enhancement, watershed restoration, land acquisitions, and public access and recreation.
- \$85.4 million for State Coastal Conservancy to protect, restore and enhance beaches, as well as carry out the goals of the San Francisco Bay Area Conservancy Program.
- \$1.5 million for State Coastal Conservancy to hire five additional staff to implement Proposition 84 projects.
- \$28 million for State Coastal Conservancy to carry out projects and programs of the California Ocean Protection Council.

- \$17 million for Santa Monica Mountains Conservancy for restoration of rivers, lakes and streams, their watershed and associated lands, as well as other natural resources.
- \$25 million for San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for various capital outlay projects.
- \$523,000 for San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy for five new positions to help administer Proposition 84 bond funds.
- \$8.5 million for San Joaquin River Conservancy to develop the San Joaquin River Parkway.
- \$1.5 million for San Joaquin River Conservancy for capital outlay and local assistance.
- \$3 million for Baldwin Hills Conservancy for capital outlay and local grants.
- \$2.9 million for San Diego River Conservancy for urban greening projects.
- \$11.5 million for Coachella Valley Mountains Conservancy for land acquisition.
- \$17.5 million for Sierra Nevada Conservancy for local grants.

ENVIRONMENTAL PROTECTION

Overview

Background. The California Environmental Protection Agency (Cal-EPA) is charged with implementing federal and state environmental quality standards. This is done through regulatory programs and incentive programs that seek to improve the quality of the environment for all Californians. The Cal-EPA is led by the Secretary for Environmental Protection and the agency oversees the following boards, departments, and office.

Boards:

- Air Resources Board
- Integrated Waste Management Board
- State Water Resources Control Board
(including the nine Regional Water Quality Control Boards)

Departments:

- Department of Pesticide Regulation
- Department of Toxic Substances Control

Office:

- Office of Environmental Health Hazard Assessment

Governor's Budget. The Governor's Budget proposes \$1.4 billion to support Cal-EPA in 2007-08. This is nearly the same as the level of expenditures estimated in the current year. Local assistance is proposed to be reduced by nearly 28 percent.

Total State Fund Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
State Operations	\$ 1,086,310	\$ 1,166,495	\$ 80,185	7.4
Local Assistance	424,349	306,590	-117,759	-27.8
Capital Outlay	4,083	1,000	-3,083	-75.5
Total	\$ 1,514,742	\$ 1,474,085	-\$40,657	-2.7
Funding Source				
General Fund	91,501	85,827	-5,674	-6.2
Special Funds	1,055,450	1,036,792	-18,658	-1.8
Bond Funds	367,791	351,466	-16,325	-4.4
Total	\$ 1,514,742	\$ 1,474,085	-\$40,657	-2.7

Highlights

Infrastructure Bond. In November 2006 the voters passed Proposition 1B, Proposition 1E and Proposition 84, which provide a combined \$10.7 billion in general obligation bond funds for resources related uses, such as flood protection, water quality, air quality, and other resource protection. Proposition 1B provides \$1.2 billion for air quality, of which \$200 million is dedicated for school buses. Proposition 1E provides approximately \$4.1 billion for levees and flood protection. Proposition 84 provides \$5.4 billion for water quality, drinking water and supply, flood control, and preservation of rivers and coasts. The Governor's Budget proposes \$351 million from these bond funds for Cal-EPA departments.

In addition to the bonds passed by voters in November 2006, the Governor has proposed as part of the Strategic Growth Plan an additional \$6 billion in infrastructure investments over the next 10 years. New general obligation bonds would provide \$4 billion, while revenue bonds would provide \$2 billion. The Governor is proposing that the \$4 billion in general obligation bonds be placed on the November 2008 ballot. The Governor in his state-of-the-state speech stated that a portion of these proposed bonds would be utilized for two new dams.

Global Warming Solutions Act Implementation. The Global Warming Solutions Act of 2006 (AB 32, Nunez and Pavley) requires the reduction of greenhouse gasses to 1990 levels by 2020. The Act makes the State Air Resources Board (ARB) the lead agency in implementation and enforcement. Greenhouse gas reductions will be achieved through the adoption of market-based compliance mechanisms. This Act continues the work of the Climate Change Initiative Action Team. The Governor directed the Secretary of Cal-EPA to coordinate oversight of the efforts to meet these greenhouse gas reduction targets and required a report to the Governor and the Legislature on the progress in meeting these targets starting in January 2006. The Governor's Budget includes \$26.5 million in special funds to implement this Act. The majority of the funding is for the Air Resources Board.

Issues

Infrastructure Bond. The Legislature may wish to review how the infrastructure investments proposed in the Governor's Budget will protect and restore the state's environment. Specifically, the Legislature may wish to review how proposed projects are coordinated, how projects are prioritized, and if the amount of funds for particular types of projects is adequate. The Legislature may also want to examine the various departments' ability to expend funds quickly enough to receive the large appropriations that are requested in the Governor's 2007-08 Budget.

Timing of New Bonds. The Legislature may wish to evaluate the timing of the proposed \$4 billion general obligation bond for the November 2008 ballot. The departments may not be able to responsibly spend \$10.7 billion in existing bond authority by 2008, and thus the request for voter approval of further funds may not be necessary at that time.

Oversight of Bond Funds. The voters of California passed a large general obligation bond package in November 2006. To ensure that the intent of the voters is carried out, the Legislature should carefully monitor how departments spend these bond funds. The Legislature may wish to

consider requiring quarterly status reports to be sent to the budget committees so that the usage of the funds can be tracked by department.

Global Warming Solutions Act Implementation. The Governor has identified several actions in the budget to help in meeting the greenhouse gas emissions reduction targets set in the Global Warming Solutions Act of 2006. However, it is not clear that these actions are sufficient to meet these targets. Cal-EPA prepared a Climate Action Team Report that outlined the strategies the departments could undertake to reduce greenhouse gas emissions. Not all of the strategies recommended in the report are being undertaken by the Cal-EPA departments. The Legislature may wish to review the actions recommended by the Climate Action Team Report for further steps that should be taken in order to reach the 2020 target.

0555 Secretary for Environmental Protection

Background. The Secretary for Environmental Protection heads the California Environmental Protection Agency (Cal-EPA). The Secretary is responsible for overseeing and coordinating the activities of the boards, departments, and office under the jurisdiction of Cal-EPA.

Governor's Budget. The Governor's Budget proposes \$10.7 million to support the Secretary for Environmental Protection. This is a 19 percent increase over estimated expenditures in the current year. General Fund support for the Secretary is proposed to increase by about \$118,000.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Support	\$ 13,279	\$ 15,027	\$ 1,748	13.2
Total	\$ 13,279	\$ 15,027	\$ 1,748	13.2
Funding Source				
General Fund	\$ 1,971	\$ 2,089	\$ 118	5.9
Special Funds	7,036	8,636	1,600	22.7
<i>Budget Act Total</i>	<i>9,007</i>	<i>10,725</i>	<i>1,718</i>	<i>19.1</i>
Reimbursements	1,877	1,904	27	1.1
State Water Quality Control Fund	175	177	2	1.1
Environmental Enforcement and Training Account	2,066	2,066	0	0
Environmental Education Account	155	155	0	0
Total	\$ 13,280	\$ 15,027	\$ 1,747	13.2

Highlights

Global Warming Solutions Act Implementation. The Governor's Budget proposes \$1.4 million in special funds for five positions to coordinate and manage the Global Warming Solutions Act implementation effort.

Issues

Global Warming Solutions Act Implementation. Although the Air Resources Board is the implementing agency of the Act the Governor's Budget proposes funds for the Secretary for Environmental Protection to coordinate Cal-EPA departments in their work on greenhouse gas reduction. The Legislature may wish to evaluate the workload requirement for the Secretary for Environmental Protection in implementation of the Act.

3900 Air Resources Board

Background. The Air Resources Board (ARB), along with 35 local air pollution control and air quality management districts, protects the state's air quality. The local air districts regulate *stationary sources* of pollution and prepare local implementation plans to achieve compliance with federal and state standards. The ARB is responsible primarily for the regulation of *mobile sources* of pollution and for the review of local district programs and plans. The ARB also establishes air quality standards for certain pollutants, administers air pollution research studies, and identifies and controls toxic air pollutants.

Governor's Budget. The Governor's Budget proposes \$375 million to support the ARB in 2007-08. This is a 23 percent increase from estimated expenditures in the current year due to an increase in available bond funds. General Fund support for the ARB is also increasing by over 50 percent.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Mobile Source	\$ 269,938	\$ 330,468	\$ 60,530	22.4
Stationary Source	43,803	53,033	9,230	21.1
Subvention	10,111	10,111	0	0
Capital Outlay	120	1,000	880	733.3
Administration	11,960	13,926	1,966	16.4
<i>less distributed administration</i>	-11,960	-13,926	-1,966	16.4
Total	\$ 323,972	\$ 394,612	\$ 70,640	21.8
Funding Source				
General Fund	\$ 2,280	\$ 3,435	\$ 1,155	50.7
Special Funds	302,913	275,639	-27,274	-9
Bond Funds	0	96,500	96,500	100
<i>Budget Act Total</i>	<i>305,193</i>	<i>375,574</i>	<i>70,381</i>	<i>23.1</i>
Federal Trust Fund	13,778	13,963	185	1.3
Reimbursements	5,002	5,075	73	1.5
Total	\$ 323,973	\$ 394,612	\$ 70,639	21.8

Highlights

Infrastructure Bond. In November 2006 the voters passed Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 which provides \$1.2 billion for air quality improvement efforts. The Governor's Budget proposes \$96.5 million in Proposition 1B bond funds for the replacement of 535 pre-1987 school buses and retrofits of approximately 1,500 old diesel school buses.

Global Warming Solutions Act Implementation. The Governor's Budget proposes \$24.3 million in special funds for 123 new positions, as well as contract and equipment funds to fund greenhouse gas reduction responsibilities given to the ARB by the Global Warming Solutions Act of 2006. These positions would undertake a broad range of planning, regulatory, and enforcement efforts, including inventory development, reporting requirements, completion of a greenhouse gas reduction plan, development and implementation of measures to reduce greenhouse gases, studies and scientific analysis, and program outreach.

Implement Hydrogen Highway Blueprint. The Governor's Budget proposes \$6 million in special funds for implementation of the Governor's Hydrogen Highway Blueprint. This funding will continue six expiring positions for the Hydrogen Highway program. This funding would also leverage private matching funds to construct up to twelve publicly accessible hydrogen fueling stations, four of which would utilize renewable hydrogen production technologies.

Mobile Source Certification. The Governor's Budget proposes \$1.2 million in special funds for nine new positions to implement new regulations for in-use emissions for light-duty vehicles that go into effect in 2007.

Diesel Health Risk Management Program. The Governor's Budget proposes \$1.2 million in special funds for seven new positions to implement regulations adopted to reduce the risk from diesel particulate matter. These positions will assist those affected by the regulation to understand and implement the regulations.

Issues

Global Warming Solutions Act Implementation. The Legislature may wish to evaluate the workload requirement for ARB in implementing the Act. The Legislature may also wish to examine the steps that ARB is proposing to take over the next year to ensure that implementation of the Act will proceed on schedule.

Hydrogen Highway Implementation. The administration is currently implementing the second year of the Hydrogen Highway Blueprint. Legislation was adopted as part of the 2005-06 budget process to guide this implementation of the Blueprint. The legislation required the administration to utilize at least 33 percent of new or renewable energy resources in the production of hydrogen and to evaluate the impacts of the Blueprint on low-income communities. The Legislature may wish to review the administration's implementation of the Hydrogen Highway Blueprint to determine whether its activities are consistent with this legislation.

Environmental Enforcement. In the 2006-07 budget, the Legislature provided the ARB \$4 million for increased enforcement presence and for improving the effectiveness of the board's existing enforcement programs. The Legislature may wish to examine steps the ARB has taken to strengthen its existing enforcement programs.

3910 Integrated Waste Management Board

Background. The California Integrated Waste Management Board (CIWMB), in conjunction with local agencies, is responsible for promoting waste management practices aimed at reducing the amount of waste that is disposed in landfills. The CIWMB administers various programs that promote waste reduction and recycling, with particular programs for waste tire and used oil recycling. The board also regulates landfills through a permitting, inspection, and enforcement program that is mainly carried out by local enforcement agencies that are certified by the board. In addition, CIWMB oversees the cleanup of abandoned solid waste sites.

Governor's Budget. The Governor's Budget proposes \$198.4 million to support CIWMB in the budget year. This is nearly the same level of support as in the current year. The board does not receive any General Fund support.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Waste Reduction and Management	\$ 201,188	\$ 201,169	-\$19	0
Administration	9,195	9,195	0	0
<i>less distributed administration</i>	-9,195	-9,195	0	0
<i>less loan repayments</i>	-2,042	-2,042	0	0
Total	\$ 199,146	\$ 199,127	-\$19	0
Funding Source				
Special Funds	\$ 198,218	\$ 198,485	\$ 267	0.1
Bond Funds	150	0	-150	-100
<i>Budget Act Total</i>	<i>198,368</i>	<i>198,485</i>	<i>117</i>	<i>0.1</i>
Federal Trust Fund	91	0	-91	-100
Special Deposits Fund	351	307	-44	-12.5
Reimbursements	336	335	-1	-0.3
Total	\$ 199,146	\$ 199,127	-\$19	0

Highlights

Global Warming Solutions Act Implementation. The Governor's Budget proposes \$618,000 in special funds for one new position and contract costs to implement solid waste landfill gas and reduced waste strategies to meet greenhouse gas emission reduction targets. CIWMB is a member of the Climate Action Team.

Landfill Closure and Post-Closure Maintenance. The Governor's Budget proposes \$552,000 in special funds for two new positions to implement AB 2296 (Montanez). Specifically, AB 2296 requires a study to determine what conditions could potentially have long-term affects on solid waste landfills and to examine the financial assurance mechanisms to protect the state from long-term post-closure maintenance and corrective action costs at these facilities.

Education and Environment Initiative. The Governor's Budget proposes \$695,000 in special funds for 5.5 permanent positions to continue the coordination, development and promotion of environmental education for all elementary and secondary school students.

Medical Waste Management Act. The Governor's Budget proposes \$129,000 in special funds for implementation of SB 1305, the Medical Waste Management Act (Figueroa). CIWMB will implement this Act through public education campaigns, mail-back programs, and monitoring and reporting on the state's progress.

Electronic Waste Recycling Fraud Prevention. The Governor's Budget proposes \$435,000 in special funds for five permanent positions to implement the Electronic Waste Recycling Act of 2003. The funds would be used to implement fraud prevention and compliance assistance, as well as implement and enhance the recovery and recycling payment system.

Auditors. The Governor's Budget proposes \$518,000 in special funds for five positions to conduct financial, performance, and other service audits of oil recycling, tire recycling, and electronic waste recycling.

Issues

Consolidating State Recycling Programs. The LAO has recently recommended consolidating the state's recycling programs under a new Department of Recycling and Waste Prevention at Cal-EPA. Currently, recycling programs are divided between the Department of Conservation and the Waste Board. The LAO finds that the current structure misses opportunities to develop more comprehensive strategies for reducing waste from multiple sources. The Legislature may wish to consider reorganizing the state's recycling programs to consolidate and improve the effectiveness of these programs.

Waste Tire Enforcement Program. As part of the 2006-07 Budget, the Legislature required that CIWMB submit, on March 31, 2007, a report providing specific metrics for evaluating the Waste Tire Enforcement Program. The Legislature may wish to review this report for possibly requiring annual performance measures for the program.

3930 Department of Pesticide Regulation

Background. The Department of Pesticide Regulation (DPR) administers programs to protect the public health and the environment from unsafe exposures to pesticides. The department: (1) evaluates the public health and environmental impact of pesticides use; (2) regulates, monitors, and controls the sale and use of pesticides in the state; and (3) develops and promotes the use of reduced-risk practices for pest management. The department is funded primarily by an assessment on the sale of pesticides in the state.

Governor's Budget. The Governor's Budget proposes \$65.8 million to support the DPR in 2007-08, which is a four percent increase over the level of expenditures as in the current year. The department does not receive any General Fund support.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Pesticide Programs	\$ 65,855	\$ 68,884	\$ 3,029	4.6
Administration	9,342	9,368	26	0.3
<i>less distributed administration</i>	-9,342	-9,368	-26	0.3
Total	\$ 65,855	\$ 68,884	\$ 3,029	4.6
Funding Source				
Special Funds	\$ 63,048	\$ 65,849	\$ 2,801	4.4
<i>Budget Act Total</i>	<i>\$ 63,048</i>	<i>\$ 65,849</i>	<i>\$ 2,801</i>	<i>4.4</i>
Federal Trust Fund	2,200	2,229	29	1.3
Reimbursements	606	806	200	33
Total	\$ 65,854	\$ 68,884	\$ 3,030	4.6

Highlights

Pesticide Pollution Prevention Grant Program. The Governor's Budget proposes \$780,000 in special funds for two limited-term positions to implement a limited-term Pesticide Pollution Prevention Grant Program. This grant program will focus on the implementation of integrated pest management practices that reduce or eliminate pollution and pesticide exposure in agricultural and urban environments.

Eliminate Food Safety Account. The Governor's Budget proposes to collapse the Food Safety Account into the Department of Pesticide Regulation Fund. The \$316,000 currently in the Food Safety Account would be moved into the DPR Fund with no cost to the state. The DPR Fund is for the enforcement of pesticide laws while the Food Safety Account is for use toward specific pesticide programs.

Expansion of Healthy Schools Act. The Governor's Budget proposes \$149,000 in special funds for one position to expand implementation of the Healthy Schools Act to private day care facilities as required by Chapter 865 of the Statutes of 2006 (AB 2865, Torrico). The funds would be used for providing outreach materials and presentations.

Mitigation of Pesticide Impacts. The Governor's Budget proposes \$634,000 in special funds for five positions to develop and implement pesticide mitigation measures through the adoption of statewide rules, improved occupational outreach programs, and action on pesticide product registrations.

Pesticide Enforcement and Compliance Improvements. The Governor's Budget proposes \$667,000 in special funds for six new positions to provide additional state oversight of field enforcement activities carried out by county agricultural commissioners (CAC) and to establish a training program for conducting CAC hearings.

Issues

Department Reorganization. The 2006-07 Budget Act consolidated the department's two branches into one single branch. The Legislature may wish to evaluate the impact of this reorganization on program delivery and program accountability. Prior to reorganization, there were ongoing concerns regarding the independence of the department's risk assessment activities from its risk management functions. The Legislature may also wish to evaluate the impact of the reorganization on the separation of these functions.

3940 State Water Resources Control Board

Background. The State Water Resources Control Board (SWRCB), in conjunction with nine semi-autonomous regional boards, regulates water quality in the state. The regional boards—which are funded by the state board and are under the state board's oversight—implement water quality programs in accordance with policies, plans, and standards developed by the state board.

The board carries out its water quality responsibilities by: (1) establishing wastewater discharge policies and standards; (2) implementing programs to ensure that the waters of the state are not contaminated by underground or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment, water reclamation, and storm drainage facilities. Waste discharge permits are issued and enforced mainly by the regional boards, although the state board issues some permits and initiates enforcement actions when deemed necessary.

The state board also administers water rights in the state. It does this by issuing and reviewing permits and licenses to applicants who wish to take water from the state's streams, rivers, and lakes.

Governor's Budget. The Governor's Budget proposes \$657 million to support the SWRCB in the budget year. This proposal is approximately \$112 million less than current year expenditure levels, mainly due to a reduction in bond funding. General Fund appropriation is expected to stay nearly the same.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Water Quality	\$ 927,734	\$ 823,408	-\$104,326	-11.3
Water Rights	13,642	11,137	-2,505	-18.4
Administration	18,950	18,890	-60	-0.3
<i>less distributed administration</i>	-18,950	-18,890	60	-0.3
Total	\$ 941,376	\$ 834,545	-\$106,831	-11.4
Funding Source				
General Fund	\$ 39,091	\$ 39,102	\$ 11	0
Special Funds	362,715	362,980	265	0.1
Bond Funds	367,641	254,966	-112,675	-30.6
<i>Budget Act Total</i>	<i>769,447</i>	<i>657,048</i>	<i>-112,399</i>	<i>-14.6</i>
Federal Trust Fund	128,877	128,578	-299	-0.2
Reimbursements	9,999	9,999	0	0
State Water Quality Control Fund	23,309	29,495	6,186	26.5
State Water Pollution Control Revolving Fund	-2,682	-2,682	0	0
Petroleum Underground Storage Tank Financing Account	12,426	12,107	-319	-2.6
Total	\$ 941,376	\$ 834,545	-\$106,831	-11.4

Highlights

Water Quality Projects. The Governor's Budget proposes \$132.5 million in various bond funds for local assistance in water recycling, agricultural drainage loans, wastewater construction and other water quality related uses.

Proposition 84 Local Assistance Funds. The Governor's Budget proposes \$105.2 million in Proposition 84 bond funds for 18 personnel and local assistance grants in water pollution control, agricultural water quality, urban storm-water runoff reduction, and clean beaches programs.

Watershed Protection and Basin Planning. The Governor's Budget proposes \$6.1 million in Proposition 84 bond funds for 12 personnel and local assistance. The funds would be used toward a pilot grant program for local agencies to update their general plans to incorporate watershed protection efforts into their land use policy. In addition, the funds would be used for

scientific contracts to incorporate water quality basin plans into the next update of the California Water Plan.

Brownfields Funding Initiative. The Governor's Budget proposes \$3.1 million in special funds for 25 new positions to increase cleanup of brownfields and to convert backlogged sites to cost recovery.

Underground Storage Tank Cleanup Fund Augmentation. The Governor's Budget proposes \$12.9 million in special funds for cleanup of brownfields and orphan sites.

Regulating Confined Animal Facilities. The Governor's Budget proposes \$1.1 million in special funds for regulation of confined animal facilities in the San Joaquin region, where there are over 1,500 dairies. These funds will be used for regulation, including inspections, of new and existing confined animal facilities. These funds will also be used for studies to provide scientific data on the impact of animal waste and associated waste chemicals on ground and surface water from the dairies and other confined animal facilities, such as swine facilities.

Wastewater Regulatory Programs. The Governor's Budget proposes \$4 million (\$1.3 million General Fund) for the National Pollutant Discharge Elimination System (NPDES) program support. These funds are requested since the State Water Board redirected the funds that were supporting the program to other uses.

Sanitary Sewer Overflow Reduction Program. The Governor's Budget proposes \$384,000 in special funds for the administration of the Sanitary Sewer Overflow Reduction Program.

Leviathan Mine Pollution Abatement Project. The Governor's Budget proposes \$582,000 General Fund for two positions for pond water treatment, removal and disposal of sludge, and water monitoring at the Leviathan Mine.

Issues

Infrastructure Bonds. The Governor's Budget proposes a large amount of general obligation bond funds for the Water Board. However, there is no list of projects provided as part of this funds request. The Legislature may wish to examine the Water Board's plan for expending these funds and the project prioritization criteria that will be used. The Legislature may also wish to examine how project accountability will be measured.

3960 Department of Toxic Substances Control

Background. The Department of Toxic Substances Control (DTSC) regulates hazardous waste management, cleans up or oversees the cleanup of contaminated hazardous waste sites, and promotes the reduction of hazardous waste generation. The department is funded by fees paid by persons that generate, transport, store, treat, or dispose of hazardous wastes; environmental fees levied on most corporations; the General Fund; and federal funds.

Governor's Budget. The Governor's Budget proposes \$144 million to support the DTSC in 2007-08. This is 2.5 percent less than estimated expenditures in the current year. This reduction is due to a decrease in General Fund appropriations.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Site Mitigation and Brownfields Reuse	\$ 102,137	\$ 106,047	\$ 3,910	3.8
Hazardous Waste Management	66,999	65,711	-1,288	-1.9
Science, Pollution Prevention, and Technology	10,593	11,178	585	5.5
State as Certified Unified Program Agency	1,199	1,271	72	6
Capital Outlay	3,963	0	-3,963	-100
Administration	31,475	33,217	1,742	5.5
<i>less distributed administration</i>	-31,475	-33,217	-1,742	5.5
Total	\$ 184,891	\$ 184,207	-\$684	-0.4
Funding Source				
General Fund	\$ 32,453	\$ 25,321	-\$7,132	-21.9
Special Funds	115,480	118,953	3,473	3
<i>Budget Act Total</i>	<i>147,933</i>	<i>144,274</i>	<i>-3,659</i>	<i>-2.5</i>
Federal Funds	26,567	27,801	1,234	4.6
Reimbursements	10,391	10,632	241	2.3
Stringfellow Insurance Proceeds Account	0	1,500	1,500	100
Total	\$ 184,891	\$ 184,207	-\$684	-0.4

Highlights

Global Warming Solutions Implementation. The Governor's Budget proposes \$115,000 for one position to identify potential toxic releases or unintended environmental consequences of hazardous waste facilities.

Stringfellow Hazardous Waste Site Management. The Governor's Budget proposes \$3.7 million (\$2.2 General Fund augmentation) for the operation and maintenance of the Stringfellow Hazardous Waste Site, as well as continuation of the site's removal and remediation activities.

Laboratory Infrastructure and Equipment. The Governor's Budget proposes \$978,000 in special funds and Toxic Substances Control Account funds to purchase equipment for the Environmental Chemistry Laboratory.

Pollution Prevention and Compliance. The Governor's Budget proposes \$451,000 in special funds for 3.5 positions to implement pollution prevention concepts, best management practices, training and outreach to proactively reduce the use of chemicals of concern. Specifically, these positions would work on reducing metals in packaging and lead in children's jewelry.

Environmental Contaminant Biomonitoring Program. The Governor's Budget proposes \$123,000 General Fund to begin implementation of portions of SB 1379 (Perata). SB 1379 establishes the California Environmental Contaminant Biomonitoring Program to monitor the presence and concentration of designated harmful chemicals. These funds would be used for planning the development of the program.

Treated Wood Waste. The Governor's Budget proposes to redirect \$431,000 in special funds for 4.5 positions and one temporary position to evaluate and collect data on treated wood waste. These funds would also be used toward the establishment of an inspection and enforcement program to ensure proper management of hazardous treated wood waste, as well as outreach and guidance to businesses and households.

Hazardous Materials Collection. The Governor's Budget proposes \$219,000 in special funds and reimbursements for two positions for urban environment clean-ups. These funds will be used for technical and administrative management of on-going projects as well as oversight and investigation of additional sites.

Environmental Fee Collection. The Governor's Budget proposes \$268,000 in special funds to fund the increased costs of the Interagency Agreement with the Board of Equalization for collection of the Environmental Fee.

Glendale Regional Office Move. The Governor's Budget proposes \$1.9 million in special funds and reimbursements for expenses related to moving the Glendale Regional office to its new location.

3980 Office of Environmental Health Hazard Assessment

Background. The Office of Environmental Health Hazard Assessment (OEHHA) identifies and quantifies the health risks of chemicals in the environment. It provides these assessments, along with its recommendations for pollutant standards and health and safety regulations, to the boards and departments in the California Environmental Protection Agency and to other state and local agencies. The OEHHA also provides scientific support to environmental regulatory agencies.

Governor's Budget. The Governor's Budget proposes \$14 million to support the OEHHA in the budget year. This is a slight increase in funding from the estimated expenditures in the current year due to new budget proposals. General Fund support for the OEHHA remains relatively unchanged in the budget year.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Health Risk Assessment	\$ 17,072	\$ 17,459	\$ 387	2.3
Administration	3,263	3,266	3	0.1
<i>less distributed administration</i>	-3,263	-3,266	-3	0.1
Total	\$ 17,072	\$ 17,459	\$ 387	2.3
Funding Source				
General Fund	\$ 8,782	\$ 8,933	\$ 151	1.7
Special Funds	6,040	6,250	210	3.5
<i>Budget Act Total</i>	<i>14,822</i>	<i>15,183</i>	<i>361</i>	<i>2.4</i>
Federal Trust Fund	500	514	14	2.8
Reimbursements	1,749	1,762	13	0.7
Total	\$ 17,071	\$ 17,459	\$ 388	2.3

Highlights

Additional Proposition 65 Funding. The Governor's Budget proposes \$203,000 in special funds to augment the department's Proposition 65 program. These funds will be used to support two positions and two limited-term positions to develop Proposition 65 regulations and provide legal support.

Environmental Contaminant Biomonitoring Program. The Governor's Budget proposes \$167,000 General Fund for three positions to plan for the implementation of SB 1379 (Perata). SB 1379 establishes the California Environmental Contaminant Biomonitoring Program to monitor the presence and concentration of designated harmful chemicals.

Toxicologist. The Governor's Budget proposes \$125,000 in special funds for one position to complete and update toxic endpoint analysis of regulated hazardous chemicals, provide technical expertise for the periodic revision of the list of regulated chemicals and the threshold quantities, and to assist Cal-EPA in hazardous substance management standards.

ENERGY & UTILITIES

Overview

Background. Several agencies play a role in developing, implementing, and managing the state's energy-related policies. These include:

- **California Energy Commission.** This is the state's primary policy and planning agency in the energy area.
- **California Public Utilities Commission.** The commission is involved with various energy-related regulatory activities.
- **Electricity Oversight Board.** The Board's responsibilities include monitoring the state's electricity market. It investigates the structure, function, and competitiveness of markets for bulk energy, transmission, and generating capacity. It also conducts oversight and performance evaluation of the California Independent System Operator.
- **California Power Authority.** This entity was created during the state's 2001 electricity crisis to finance new electricity generation and assure an adequate electricity supply for the state. This agency is currently defunct.
- **California Energy Resources Scheduling Division within the Department of Water Resources.** This is the entity that currently purchases electricity for the state on behalf of the state's three largest investor owned utilities (IOUs).
- **California Independent System Operator (ISO).** The ISO is a not-for-profit corporation that was created by the state when it deregulated its wholesale electricity industry in 1996. The ISO is not considered a state agency, but was created by the Legislature and is governed by a board of gubernatorial appointees. However, its activities are regulated by the federal government. The ISO is charged with managing the majority of the state's electricity transmission system, in order to ensure competitive access to the grid by all electricity sellers. It also seeks to ensure that the power grid is safe and reliable.

Highlights

Electricity Oversight Board. The Governor is proposing to eliminate the Electricity Oversight Board.

3360 California Energy Commission

Background. The Energy Resources Conservation and Development Commission (commonly referred to as the California Energy Commission or CEC) is responsible for forecasting energy supply and demand, developing and implementing energy conservation measures, conducting energy-related research and development programs, and siting major power plants.

Governor's Budget. The Governor's Budget proposes \$399 million to support CEC in 2007-08. The proposed budget is approximately 18 percent less than estimated expenditures in the current year due to a reduction in renewable energy and PIER funding. The department does not receive any General Fund support.

Summary of Expenditures					
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change	
Type of Expenditure					
Regulatory and Planning	\$ 27,025	\$ 27,757	\$ 732	2.7	
Energy Resources Conservation	33,989	47,510	13,521	39.8	
Research and Development	451,043	343,556	-107,487	-23.8	
Administration	13,653	13,199	-454	-3.3	
<i>less distributed administration</i>	-13,653	-13,199	454	-3.3	
<i>less loan repayments</i>	-2,422	-1,522	900	-37.1	
Total	\$ 509,635	\$ 417,301	-\$92,334	-18.1	
Funding Source					
General Fund	\$0	\$0	\$0	0	
Special Funds	491,912	399,166	-92,746	-18.8	
<i>Budget Act Total</i>	491,912	399,166	-92,746	-18.8	
Federal Funds	11,978	12,390	412	3.4	
Reimbursements	5,745	5,745	0	0	
Total	\$ 509,635	\$ 417,301	-\$92,334	-18.1	

Highlights

Global Warming Solutions Act Implementation. The Governor's Budget proposes \$1.1 million in special funds for five permanent positions to work on emission reduction strategies in the energy sector. Among the primary strategies that these funds will be used for are reporting and verifying statewide greenhouse gas emissions, developing a program to monitor and enforce reporting requirements, and evaluating market-based mechanisms for greenhouse gas reduction.

Greenhouse Gas Emissions Performance Standards. The Governor's Budget proposes \$122,000 in special funds for one position to develop greenhouse gas emissions performance standards and implement regulations for all publicly owned electric utilities.

Photovoltaic and Energy Efficiency Funding for Schools. The Governor's Budget proposes \$1.1 million in special funds for four permanent positions to provide grants, loans, and technical support for the photovoltaic and energy efficiency program in public K-12 schools.

Million Solar Roofs. The Governor's Budget proposes \$486,000 in special funds for implementation of SB 1 (Murray). The legislation requires the Energy Commission to establish eligibility criteria for solar energy systems and to establish conditions for ratepayer funded incentives for all installations of solar energy systems on all types of buildings and facilities included in the Million Solar Roofs Initiative.

Public Purpose Natural Gas Research. The Governor's Budget proposes \$471,000 in special funds to support four new positions to identify, develop and manage transportation-related research projects that benefit natural gas ratepayers, as well as climate change and air quality research.

PIER Electricity Program Implementation. The Governor's Budget proposes \$418,000 in special funds to support three new positions for research in global climate change, solar energy, and electricity distribution.

Petroleum Industry Reporting and Reducing Petroleum Use. The Governor's Budget proposes \$953,000 in special funds for two permanent and two limited-term positions to conduct petroleum industry reporting and to develop fuel-efficiency standards for tires so that vehicles use less fuel.

Issues

Photovoltaic and Energy Efficiency Funding for Schools. The Governor's Budget proposes special funds from a lawsuit settlement for the creation of permanent positions for the photovoltaic and energy efficiency program in public K-12 schools. The Legislature may wish to consider making these positions temporary as the final settlement payment for the program will be made in 2010.

Million Solar Roofs. Renewable energy is an important component in reducing greenhouse gas emissions. The Legislature may wish to inquire as to how this program will interrelate to the Global Warming Solutions Act of 2006 implementation actions.

3860 Department of Water Resources (California Energy Resources Scheduling Division)

Background. The Department of Water Resources' California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage the receipt and delivery of the energy procured by the contracts.

Governor's Budget. The Governor's Budget proposes \$5.6 billion to fund the CERS division of the Department of Water Resources (DWR). This is \$212 million, or 3.7 percent, below estimated expenditures in the current year, which reflects a slight reduction in the amount of electricity purchased under contract for the budget year. These funds are not subject to appropriation in the budget bill.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Electricity Purchases	\$ 4,859,909	\$ 4,643,218	-\$216,691	-4.5
Interest Expense - Revenue Bonds	460,841	441,269	-19,572	-4.2
Payment of Principal - Revenue Bonds	447,690	470,140	22,450	5
Administration	21,422	22,584	1,162	5.4
Total	\$ 5,789,862	\$ 5,577,211	-\$212,651	-3.7

8660 Public Utilities Commission

Background. The California Public Utilities Commission (CPUC) is responsible for the regulation of privately owned "public utilities," such as gas, electric, telephone, and railroad corporations, as well as certain video providers and passenger and household goods carriers. The commission's primary objective is to ensure adequate facilities and services for the public at equitable and reasonable rates. The commission also promotes energy conservation through its various regulatory decisions.

Governor's Budget. The Governor's Budget proposes \$1.2 billion to support the CPUC in the budget year. This is approximately the same level of funding as is estimated for expenditure in the current year. The commission does not receive any General Fund support.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type Expenditure				
Regulation of Utilities	\$ 375,297	\$ 381,501	\$ 6,204	1.6
Universal Service Telephone Programs	897,408	884,615	-12,793	-1.4
Regulation of Transportation	18,637	20,458	1,821	9.7
Administration	21,781	26,247	4,466	20.5
<i>less distributed administration</i>	-21,781	-26,247	-4,466	20.5
Total	\$ 1,291,342	\$ 1,286,574	-\$4,768	-0.4
Funding Source				
General Fund	\$0	\$0	\$0	0
Special Funds	1,277,329	1,269,575	-7,754	-0.6
<i>Budget Act Total</i>	<i>1,277,329</i>	<i>1,269,575</i>	<i>-7,754</i>	<i>-0.6</i>
Federal Funds	1,209	1,702	493	40.8
Reimbursements	12,786	15,297	2,511	19.6
Total	\$ 1,291,324	\$ 1,286,574	-\$4,750	-0.4

Highlights

Global Warming Solutions Act Implementation. The Governor's Budget proposes \$1.3 million in special funds for three new positions to model the costs and benefits of various greenhouse gas emissions cap scenarios and develop protocols for measuring and verifying greenhouse gas emissions reductions in the power sector.

Electricity Market Design. The Governor's Budget proposes \$408,000 in special funds for one position to evaluate and plan for the reopening of retail electricity market competition in California.

California Solar Initiative. The Governor's Budget proposes \$2.4 million in reimbursements for the PUC to implement, administer, and evaluate the California Solar Initiative.

Railroad Maintenance and Safety. The Governor's Budget proposes \$705,000 in special funds for seven positions to conduct safety inspections of railroad equipment and facilities, to inspect high-risk tracks, and to collect and analyze data on near-miss accidents.

Video Competition Act Implementation. The Governor's Budget proposes \$950,000 in special funds for 10.5 positions to regulate video services.

Passenger Carrier Enforcement at Airports. The Governor's Budget proposes \$486,000 in special funds for five positions to conduct regulations enforcement of charter passenger carrier companies, such as limousine services, that provide service to airports.

Issues

Electricity Market Reopening. The Governor's Budget proposes to begin research into reopening the California electricity market for retail competition. In the past, California's experiments with deregulation have proven to be costly. The Legislature may wish to examine what the PUC's plans are specifically, what the potential benefits and costs of such a plan may be, and what the implications of such deregulation would be for the consumers of California.

8665 California Consumer Power and Conservation Financing Authority

Background. The California Consumer Power and Conservation Financing Authority (CPA) was created in response to the 2000-01 energy crisis and was charged with assuring a reliable supply of power to Californians at reasonable rates, including planning for sufficient reserves. The administrative operations of the agency ceased in October 2004 and its last remaining program, the Demand Reserve Program, is scheduled to expire on June 30, 2007.

Governor's Budget. The Governor's Budget proposes to eliminate the CPA and transfer all remaining CPA funds (estimated at \$2.5 million) to the Energy Commission for repayment of loans.

8770 Electricity Oversight Board

Background. The Electricity Oversight Board (EOB) was created as a result of energy deregulation and was intended to ensure that wholesale energy markets and the electric transmission system function reliably at a fair cost to consumers. The EOB investigates the structure, function, and competitiveness of markets for bulk energy, transmission, and generating capacity. The EOB also conducts oversight and performance evaluation of the California Independent System Operator. The EOB also represents the state before the Federal Energy Regulatory Commission, Federal Courts and in regional forums.

Governor's Budget. The Governor's Budget proposes to eliminate the EOB, while providing it with \$4.1 million in operations funding for 2007-08.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Administration	\$ 4,073	\$ 4,128	\$ 55	1.3
Total	\$ 4,073	\$ 4,128	\$ 55	1.3
Funding Source				
Special Funds	\$ 4,073	\$ 4,128	\$ 55	1.3
Total	\$ 4,073	\$ 4,128	\$ 55	1.3

Issues

Budget Allocation. The Governor's Budget proposes to provide the EOB with a full operating budget for 2007-08. The Legislature may wish to consider whether a full operating budget is necessary for a board that is proposed for elimination.

Electricity Market Reopening. The Governor's Budget for the Public Utilities Commission proposes researching options to reopen the California electricity market for retail competition. The Legislature may wish to consider the impact of eliminating an oversight board while pursuing greater market competition.

AGRICULTURE

8570 Department of Food and Agriculture

Background. The California Department of Food and Agriculture (CDFA) provides services to both producers and consumers of California's agricultural products in the areas of agricultural protection, agricultural marketing, and support to local fairs. The purpose of the agricultural protection program is to prevent the introduction and establishment of serious plant and animal pests and diseases. The agricultural marketing program promotes California's agricultural products and protects consumers and producers through the enforcement of measurements, standards, and fair pricing practices. Finally, the department provides financial and administrative assistance to county and district fairs.

Governor's Budget. The Governor's Budget proposes \$242 million to support CDFA in 2007-08. This is approximately \$9 million less than the level of expenditures estimated in the current year. This decrease is primarily due to a reduction in special funds.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Agricultural Plant and Animal Health, Pest Prevention, and Food Safety Services	\$ 172,586	\$ 160,947	- \$ 11,639	-6.7
Marketing and Commodity and Agricultural Services	68,736	58,993	-9,743	-14.2
Assistance to Fair and County Agricultural Activities	60,817	26,621	-34,196	-56.2
General Agricultural Activities	-	43,149	43,149	100.0
Capital Outlay	24,395	3,611	-20,784	-85.2
Administration	14,561	14,029	-532	-3.7
<i>less distributed administration</i>	-13,376	-12,826	550	-4.1
Total	\$ 327,719	\$ 294,524	-\$33,195	-10.1
Funding Source				
General Fund	\$ 101,699	\$ 99,261	-\$2,438	-2.4
Special Funds	148,529	141,955	-6,574	-4.4
Bond Funds	1,180	1,178	-2	-0.2
<i>Budget Act Total</i>	<i>\$251,408</i>	<i>\$242,394</i>	<i>-\$9,014</i>	<i>-3.6</i>
Federal Trust Fund	42,779	38,762	-4,017	-9.4
Public Building Construction Fund	18,356	-	-18,356	-100.0
Harbors and Watercraft Revolving Fund	1,296	1,336	40	3.1
Reimbursements	13,879	12,032	-1,847	-13.3
Total	\$ 327,718	\$ 294,524	-\$33,194	-10.1

Highlights

Agency Reorganization. The Governor's Budget proposes a new program within CDFA, the General Agricultural Activities Program. This program provides the fiscal and policy oversight of federal agricultural grants to California. In addition, this new program will coordinate departmental resources and provide centralized communications to the agricultural industry. Despite this reorganization, the overall number of positions at the department is decreasing from 2006-07 levels.

CDFA Implementation of the Global Warming Solutions Act of 2006. The Governor's Budget proposes \$331,000 in reimbursements and on-going authority of \$323,000 for two positions. These new positions would perform scientific and economic studies on reducing green house gasses through a reduction in enteric fermentation (emissions from cattle) and an increase in soil carbon sequestration using conservation tillage and cover crops.

Hydrogen Highway. The Governor's Budget proposes \$212,000 in special funds and on-going authority of \$53,000 for the Division of Measurement Standards to acquire laboratory equipment and laboratory supplies to develop and initiate standardized sampling, testing, and enforcement activities related to hydrogen quality. This proposal supports the Governor's Hydrogen Highway Blueprint Plan.

Private Vehicle Inspection Program. The Governor's Budget proposes \$407,000 General Fund to support five 1-year limited-term positions to conduct a pilot project to determine the pest introduction risk presented by private vehicles entering the state. The program was piloted in 2006-07 with five 1-year limited-term positions.

Emergence Tower System for Fruit Fly Rearing Efficiency. The Governor's Budget proposes \$658,000 General Fund for purchase of equipment for the fruit fly Preventative Release Program and for repositioning and disposal of trailers. The new equipment would allow for a 50 percent increase in fruit fly production. USDA has committed to constructing a new facility into which the equipment would be placed. A previously appropriated \$1 million for facilities would revert from the Architectural Revolving Fund to the General Fund.

Deferred Maintenance and Equipment Replacement. The Governor's Budget proposes \$500,000 in special funds for on-going authority to pay for services rendered, repair and replace laboratory equipment, and modify or upgrade existing facilities at the Center for Analytical Chemistry.

Issues

Program Review. The Department of Finance conducted a program review of the Department of Food and Agriculture and found some programs were not properly categorized. In response to the review, the General Agricultural Activities program category was formed within CDFA and some existing activities were moved under that budget heading.

Citrus Freeze. In January 2007 California experienced unusually cold weather that severely impacted the state's agricultural sector. Early estimates are that 75 percent of the state's citrus crop may have been lost. Impact has also been felt in other agricultural crops sensitive to the cold, such as avocados. The Legislature may wish to consider coordinated actions to assist California's agricultural sector, such as appeals to the Federal government for assistance.